Impact of global and domestic slowdown on MSMEs

2122. SHRI RAHUL BAJAJ: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state what has been the impact of the global and domestic slowdown on growth and employment in the Micro, Small and Medium Enterprises (MSMEs) sector during September-November 2008?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): The impact of the global and domestic slowdown on growth and employment in the Micro and Small Enterprises (MSEs) during September- November 2008 is not available as there is generally a time lag of six to nine months in the availability of data on MSB sector. However, the Ministry of Micro, Small and Medium Enterprises (MSME) has been receiving representations from various Micro and Small Enterprises (MSE) Associations highlighting problems with regard to credit squeeze by the banks, high rates of interest on MSE loans, reduction in orders, delayed payments by the big enterprises, etc. The Associations have apprehended that if the present situation continues, it may lead to considerable lay-offs in the sector.

Decline in Khadi Manufacturing and use

2123. SHRI KAMAL AKHTAR:

SHRI PRABHAT JHA:

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether it is a fact that there has been a decline in Khadi clothes manufacturing and use and thereby in employment generation;

(b) if so, the details thereof; and

(c) the steps taken to arrest this decline and achievement thereto?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): (a) No, Sir. The value of production and use of khadi clothes as evident from value of sales of khadi products as well as employment in the khadi sector, have increased in the last three years, as detailed below:

Year	Value of Production (Rs. crore)	Value of Sales (Rs. crore)	Employment (lakh persons)
2005-06	468.30	628.69	8.86
2006-07	491.52	663.19	8.84
2007-08	543.39	724.39	9.16

(b) and (c) Do not arise.

Credit availability to SSI sector

2124. SHRI T.T.V. DHINAKARAN: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether credit availability to Small Scale Industries (SSIs) sector has not been adequate;

(b) if so, the reasons therefor;

(c) whether his Ministry has taken up this matter with the Ministry of Finance; and

(d) if so, the reaction of Ministry of Finance thereto?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): (a) to (d) The Ministry of Micro, Small and Medium Enterprises (MSME) has been receiving representations from MSEs/MSE Associations highlighting, *inter alia*, the problems relating to inadequate availability of credit from banks/financial institutions. The major reasons for inadequate flow of credit to the sector include high risk perception of this sector by the banks, insistence on collaterals, etc. The Ministry of MSME has been taking up the matter relating to inadequate flow of credit to this sector with the Ministry of Finance (Department of Financial Services) as well as the Reserve Bank of India (RBI) from time to time. In recognition of the fact that delivery of credit continues to be a serious problems for MSEs, the Government has announced a 'Policy Package for Stepping up Credit to Small and Medium Enterprises (SMEs). The measures in the Policy Package to increase the quantum of credit to SMEs (including micro and small enterprises - MSEs) include: (i) public sector banks to fix their own targets for funding SMEs in order to achieve a minimum 20 per cent year-on-year growth in credit to the SME sector, (ii) public sector banks to follow a transparent rating system with cost of credit linked to the credit rating of the enterprises, (iii) commercial banks to make concerted efforts to provide credit cover on an average to at least 5 new micro, small and medium enterprises at each of their semi-urban/urban branches per year, and (iv) adoption of cluster-based approach by banks for SME financing. Further, the RBI has announced a refinance facility of Rs.7,000 crore for Small Industries Development Bank of India (SIDBI) to facilitate the flow of credit to MSMEs.

Growth rate of MSMIs

2125. SHRI S. ANBALAGAN: Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) the growth rate of Micro, Small and Medium Industries (MSMIs) during the Tenth Five Year Plan period and the growth rate envisaged for Eleventh Five Year Plan period;

(b) whether sickness, lack of modern technologies, lack of prudent business skills and adequate capital are still the impediments for the growth of Micro, Small and Medium Industries in the country; and

(c) if so, the steps proposed to be taken by Government in this regard?

THE MINISTER OF MICRO, SMALL AND MEDIUM ENTERPRISES (SHRI MAHAVIR PRASAD): (a) The estimated annual growth rate of micro and small enterprises in the country during Tenth Five Year plan period is given in the table below. Since the medium enterprises were defined for the first time under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which came into force from 2nd October 2006, information in respect of growth rates for medium enterprises